Magnet Limited

Directors' report and financial statements

Registered number 2762625

31 December 2011

Contents

Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2011

Principal activities

The principal activities of the company are the manufacture, merchanting and retailing of kitchens, joinery and related products

Business review

Performance

The results for the year are set out on page 7 The company's profit for the financial year was £6,232,000 *(2010 £3,346,000)* Turnover decreased by 11% during the year due to the stagnant kitchen market The reduction in turnover, together with the change in sales mix, resulted in gross profit falling by 11% year on year

The company recorded a profit for the year and the balance sheet as at 31 December 2011 demonstrates that the financial position of the company remains strong with net assets of £29,258,000 *(2010 £32,427,000)*

Measurement

The company uses a number of financial and non financial KPIs to measure performance and these are reported both at board level and to employees at briefing sessions These KPIs include production plan achievement, delivery performance, manufacturing achievement and a number of health and safety and employee related KPIs The board considers that the company has a very effective measurement and reporting system, consistent with its size and complexity

As far as financial performance is concerned the key measurements used by the company are turnover and gross margin percentage as reported on the face of the profit and loss account For the year under review, turnover was £345,856,000 *(2010 £386,548,000)* and the gross profit percentage was 35% *(2010 36%)*

Risks and uncertainties

The directors have carefully considered the principal risks and uncertainties facing the business The company operates in a competitive market place where continuing growth is dependent on maintaining existing customer relationships and developing new business by offering high quality products and services The key to success is to leverage the company's position through the premium which its service offering demands Competition within the markets is a continuing risk to the company, which could result in it losing sales to its key competitors The company mitigates this risk by providing value added services to its customers, having fast response times not only in supplying products but in handling all customer queries, and by maintaining strong relationships with customers

The directors continue to investigate and initiate entry into emerging markets whilst remaining flexible in matching capacity and production costs to actual demand

Outlook

The directors remain confident that the company is in a strong position in the market and anticipate that the company will continue to be profitable going forward

Research and development

It is the policy of the company to continually investigate and develop new and improved methods of manufacturing and to evaluate, manufacture and distribute new products complementary to the company's existing range

Directors' report *(continued)*

Financial instruments

In the opinion of the directors the most significant financial risks, which might impact the company, relate to foreign currencies, interest rates, credit granting and liquidity

Foreign currency risk

The company's operations are materially exclusive to the United Kingdom However, an element of the company's purchases is denominated in Euros and US Dollars

The company is party to a group system of hedges, based on forecast transactions, using forward exchange contracts As a result the company believes that it has effectively managed its exposure to foreign currency risks to a minimal level as at the balance sheet date

Interest rate risk

Interest-rate exposure is managed centrally by Nobia AB, meaning that the head office is responsible for identifying and managing interest-rate risks Nobia uses short, fixed interest terms to generate the desired interest profile

Credit risk

The company's customer base comprises both professional customers and consumers Company credit policies are aimed at minimising losses, and require that deferred terms are granted only to customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures Individual exposures are monitored with customers subject to credit limits to ensure that the company's exposure to bad debts is not significant

Aggregate and individual overdue debts are monitored closely by management to reduce the likelihood of an unmanaged concentration of credit risk

Liquidity risk

Liquidity is controlled centrally by Nobia AB and the company also aims to mitigate liquidity risk by applying cash collection targets Investment is carefully controlled, with authorisation limits operating up to board level and cash payback periods applied as part of the investment appraisal process

Proposed dividend

The directors do not recommend the payment of a dividend *(2010 £nil).*

Market value of land and buildings

In the opinion of the directors, the market value of the company's land and buildings is not materially different from the net book value

Policy and practice on payment of creditors

The company is a registered supporter of the Better Payment Practice Group's 'Better Payment Practice Code' to which it subscribes when dealing with all of its suppliers Copies of the Better Payment Practice Group's code are available from the Department of Trade & Industry Trade creditors at the year end represent 44 days *(2010 48 days)* of purchases It is the company's policy in respect of all suppliers to agree payment terms in advance of the supply of goods and to adhere to those payment terms

Directors' report *(continued)*

Directors

The directors who held office during the year were as follows

P Kane
A Ahmed
R Pigott
S Banks
M Neal
B Norman

Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned In the event of members of staff being disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole Communication with all employees continues through notice boards, newsletters, team briefings and distribution of the annual report

Political and charitable contributions

The company made no political or charitable donations or incurred any political expenditure during the year *(2010 £nil)*

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board

N. J. Saul

N Saul
Secretary

3 Allington Way
Yarm Road Business Park
Darlington
County Durham
DL1 4XT

19 September 2012

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

KPMG LLP
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
United Kingdom

Independent auditor's report to the members of Magnet Limited

We have audited the financial statements of Magnet Limited for the year ended 31 December 2011 set out on pages 7 to 27 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditor's report to the members of Magnet Limited *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Paul Moran (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

19 September 2012

Profit and Loss Account
for the year ended 31 December 2011

	Note	2011 £000	2010 £000
Turnover	2	**345,856**	386,548
Cost of sales		**(223,800)**	(248,738)
Gross profit		**122,056**	137,810
Total operating expenses	3	**(114,144)**	(129,334)
Operating profit		**7,912**	8,476
Profit/(loss) on sale of tangible fixed assets	12	**5**	(16)
Income from shares in group undertakings		**1,243**	-
Other interest receivable and similar income	7	**81**	304
Interest payable and similar charges	8	**(4)**	(2)
Other finance costs	9	**(2,305)**	(3,088)
Profit on ordinary activities before taxation	3-6	**6,932**	5,674
Tax on profit on ordinary activities	10	**(700)**	(2,328)
Profit for the financial year	19	**6,232**	3,346

All of the results above derive from continuing activities

There is no material difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents

Balance Sheet
at 31 December 2011

	Note	2011 £000	2011 £000	2010 £000	2010 £000
Fixed assets					
Tangible assets	*12*		**50,193**		56,496
Investments	*13*		**-**		1,632
			50,193		58,128
Current assets					
Stocks	*14*	**40,738**		38,611	
Debtors	*15*	**71,065**		81,512	
Cash at bank and in hand		**907**		375	
		112,710		120,498	
Creditors: amounts falling due within one year	*16*	**(77,399)**		(94,593)	
Net current assets			**35,311**		25,905
Total assets less current liabilities			**85,504**		84,033
Provisions for liabilities	*17*		**(13,357)**		(16,066)
Net assets excluding pension liabilities			**72,147**		67,967
Pension liabilities	*21*		**(42,889)**		(35,540)
Net assets including pension liabilities			**29,258**		32,427
Capital and reserves					
Called up share capital	*18*		**15,510**		15,510
Share premium account	*19*		**10,000**		10,000
Other reserves	*19*		**5,900**		5,900
Capital contribution reserve	*19*		**199**		100
Profit and loss account	*19*		**(2,351)**		917
Shareholders' funds			**29,258**		32,427

These financial statements were approved by the board of directors on 19 September 2012 and were signed on its behalf by

P Kane
Director

Company registered number 2762625

Statement of Total Recognised Gains and Losses
for the year ended 31 December 2011

	2011 £000	2010 £000
Profit for the financial year	6,232	3,346
Actuarial (loss)/gain recognised in the pension scheme	(11,427)	564
Deferred tax arising on losses/(gains) in the pension scheme	3,028	(158)
Effect of reduced deferred tax rate on closing pension deficit	(1,101)	(487)
Total recognised gains and losses relating to the financial year	(3,268)	3,265

Reconciliation of Movements in Shareholders' Funds
for the year ended 31 December 2011

	2011 £000	2010 £000
Profit for the financial year	6,232	3,346
Net gains and losses in respect of FRS 17	(9,500)	(81)
Credit in relation to share based payments	99	39
Net (reduction in)/addition to shareholders' funds	(3,169)	3,304
Opening shareholders' funds	32,427	29,123
Closing shareholders' funds	29,258	32,427

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements These financial statements present information about the company as an individual undertaking and not about its group

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

As the company is a wholly owned subsidiary of Nobia AB, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group The consolidated financial statements of Nobia AB, within which this company is included, can be obtained from the address given in note 23

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report The company's parent undertaking is Nobia Holdings UK Limited which is the parent undertaking of a group of companies engaged in the manufacture, merchanting and retailing of joinery, fitted kitchens, bedrooms, bathrooms and related products The group meets its day to day working capital requirements through its positive cash balances, bank overdraft facilities and loans from Nobia AB, the ultimate parent undertaking and controlling party

The current economic conditions create an element of uncertainty over demand for the group's products and services but the group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group is expected to have a sufficient level of financial resources available through current facilities and therefore the directors believe that the group is well placed to manage its business risks successfully despite the economic uncertainty

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to prepare the financial statements on a going concern basis

Investments

Investments in subsidiary undertakings are stated at cost unless, in the opinion of the directors, there has been any impairment, in which case an appropriate adjustment is made

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows.

Freehold and long leasehold buildings	-	2% - 10% per annum
Short leasehold land and buildings	-	10% per annum
Plant, equipment and vehicles	-	10% - 50% per annum

No depreciation is provided on freehold land

Assets under construction are not depreciated until construction is complete and the asset is reclassified in one of the above fixed asset categories

Notes *(continued)*

1 Accounting policies *(continued)*

Impairment of fixed assets

The carrying amounts of the company's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable If any such indication exists, the asset's recoverable amount is estimated

An impairment loss is recognised whenever the carrying amount of an asset or its income-generating unit exceeds its recoverable amount Impairment losses are recognised in the profit and loss account unless it arises on a previously revalued fixed asset An impairment loss on a revalued fixed asset is recognised in the profit and loss account if it is caused by a clear consumption of economic benefits Otherwise impairments are recognised in the statement of total recognised gains and losses until the carrying amount reaches the asset's depreciated historic cost

Impairment losses recognised in respect of income-generating units are allocated first to reduce the carrying amount of any goodwill allocated to income-generating units, then to any capitalised intangible asset and finally to the carrying amount of the tangible assets in the unit on a pro rata or more appropriate basis An income generating unit is the smallest identifiable group of assets that generates income that is largely independent of the income streams from other assets or groups of assets

Calculation of recoverable amount

The recoverable amount of fixed assets is the greater of their net realisable value and value in use In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment For an asset that does not generate largely independent income streams, the recoverable amount is determined for the income-generating unit to which the asset belongs

Reversals of impairment

An impairment loss is reversed on intangible assets and goodwill only if subsequent external events reverse the effect of the original event which caused the recognition of the impairment or the loss arose on an intangible asset with a readily ascertainable market value and that market value has increased above the impaired carrying amount For other fixed assets where the recoverable amount increases as a result of a change in economic conditions or in the expected use of the asset then the resultant reversal of the impairment loss should be recognised in the current period

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

Notes *(continued)*

1 Accounting policies *(continued)*

Post-retirement benefits

The company operates a pension scheme providing benefits based on final pensionable pay The scheme has been closed to new members since 1 November 1999 The scheme closed to future accrual with effect from 31 December 2009 and for active members of the scheme the link to salary was removed The assets of the scheme are held separately from those of the company

Pension scheme assets are measured using market values For quoted securities the current bid price is taken as market value Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses

The company also operates a defined contribution pension scheme for existing and new employees The assets of the scheme are held separately from those of the company in an independently administered fund The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period

Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred

Stocks

Stocks are stated at the lower of cost and net realisable value In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads

Payments from suppliers

From time to time, the company receives payments from suppliers which are not related to the volume of product that is purchased These receipts are held in the balance sheet as deferred income and released on a straight line basis, over the length of the contract Rebates received which are related to volume of product are accounted for immediately through the profit and loss account

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Notes *(continued)*

1 Accounting policies *(continued)*

Classification of financial instruments issued by the company

Financial instruments issued by the company are treated as equity (i e forming part of shareholders' funds) only to the extent that they meet the following two conditions

a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company, and

b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds

Turnover

Turnover represents the invoiced value of goods sold and services provided, excluding value added tax and trade discounts Ex-stock turnover is recognised at the point of sale, whilst consumer and direct sales turnover is recognised at the point of despatch Installation revenues are recognised when invoiced by fitters following completion of work

Share based payments

The share option programme allows employees to acquire shares of the ultimate parent company, Nobia AB The fair value of employee services received in exchange for grant of the options is recognised as an employee expense with a corresponding increase in capital and reserves The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting

Dividends on shares presented within shareholders' funds

Dividends are only recognised as a liability at that date to the extent that they are declared prior to the year end Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

2 Analysis of turnover and profit on ordinary activities before taxation

All of the company's turnover, profit on ordinary activities before tax and net assets are attributable to the manufacture, merchanting and retailing of kitchens, joinery and related products The directors are of the opinion that there is only one class of business

All turnover consists entirely of sales within the United Kingdom

Notes *(continued)*

3 Total operating expenses

	2011 £000	2010 £000
Selling and distribution costs	**102,644**	114,114
Administrative expenses	**11,500**	15,220
	114,144	129,334

4 Notes to the profit and loss account

	2011 £000	2010 £000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation and other amounts written off tangible fixed assets		
Owned	**6,206**	6,989
Leased	**3,898**	4,995
Hire of plant and machinery - operating leases	**5,513**	5,517
Hire of other assets - operating leases	**18,423**	22,031
Net exchange losses	**1**	814
Management fees payable to ultimate parent undertaking	**764**	442
Expenses recharged to fellow group undertakings	**(1,404)**	(2,746)

Auditor's remuneration

	2011 £000	2010 £000
Audit of these financial statements	**74**	85

Included in auditor's remuneration is £1,000 *(2010 £5,000)* paid in respect of the audit of other subsidiaries of Nobia AB that are registered in the United Kingdom

Amounts receivable by the company's auditor and its associates in respect of services to the company and its associates, other than the audit of the company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the company's parent, Nobia Holdings UK Limited

Notes *(continued)*

5 Remuneration of directors

	2011 £000	2010 £000
Directors' emoluments	870	941
Amounts receivable under long term incentive schemes	53	20
Company contributions to money purchase pension schemes	120	101
Compensation for loss of office	-	334

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £250,000 *(2010 £229,000)* and company pension contributions of £46,000 *(2010 £26,000)* were made to a money purchase scheme on his behalf

	Number of directors 2011	2010
Retirement benefits are accruing to the following number of directors under		
Money purchase schemes	5	5
Defined benefit schemes	-	-
The number of directors in respect of whose services shares were received or receivable under long-term incentive schemes was	5	5

The company's defined benefit scheme closed to future accrual with effect from 31 December 2009 and for active members of the scheme the link to salary was removed All directors now participate in the Magnet Money Purchase Plan

6 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows

	Number of employees 2011	2010
Manufacturing and distribution	436	475
Sales and marketing	1,535	1,643
Office and management	178	213
	2,149	2,331

The aggregate payroll costs of these persons were as follows

	2011 £000	2010 £000
Wages and salaries	52,433	58,663
Share based payments *(see note 22)*	99	39
Social security costs	5,119	5,296
Other pension costs *(see note 21)*	1,676	1,722
	59,327	65,720

Notes *(continued)*

7 Other interest receivable and similar income

	2011 £000	2010 £000
On cash at bank	1	35
Interest receivable on over payment of UK corporation tax	80	263
Other	-	6
	81	304

8 Interest payable and similar charges

	2011 £000	2010 £000
On bank overdrafts	4	2

9 Other finance costs

	2011 £000	2010 £000
Expected return on pension scheme assets	7,159	6,639
Interest on pension scheme liabilities	(9,464)	(9,727)
	(2,305)	(3,088)

10 Taxation

Analysis of charge in period

	2011		2010	
	£000	£000	£000	£000
UK corporation tax				
Current tax on income for the period	1,793		1,610	
Adjustments in respect of prior periods	(989)		(1,265)	
		804		345
Group relief				
Amounts receivable	-		-	
Adjustment in respect of prior period	(1,139)		-	
		(1,139)		-
Total current tax		(335)		345
Deferred tax (see note 17)				
Origination of timing differences	252		670	
Effect of reduction in tax rate	(254)		(103)	
Adjustment in respect of previous years	1,037		1,416	
Total deferred tax		1,035		1,983
Tax on profit on ordinary activities		700		2,328

Notes *(continued)*

10 Taxation *(continued)*

For the year ended 31 December 2011, the company was subject to UK corporation tax at a rate of 28% during the 3 months to 31 March 2011 and 26% from 1 April 2011 to 31 December 2011, giving an average rate for the year of 26 5% *(2010 28%)*

Factors affecting the tax charge for the current period

The current tax charge for the period is lower *(2010 lower)* than the standard rate of corporation tax in the UK, 26 5% *(2010 28%)* The differences are explained below

	2011 £000	2010 £000
Current tax reconciliation		
Profit on ordinary activities before tax	**6,932**	5,674
Current tax at 26 5% *(2010 28%)*	**1,837**	1,589
Effects of		
Expenses not deductible for tax purposes	**537**	691
Non taxable income	**(329)**	-
Capital allowances for period less than depreciation	**629**	678
Other short-term timing differences	**(881)**	(1,348)
Adjustments to tax charge in respect of previous periods	**(2,128)**	(1,265)
Total current tax (credit)/charge (see above)	**(335)**	345

The adjustment to UK corporation tax in respect of previous periods arose following the submission and agreement of a number of earlier years' tax returns

Factors that may affect future current and total tax charges

The main rate of UK corporation tax changed from 28% to 26% on 1 April 2011 A further reduction in the main rate of UK corporation tax, to 25% with effect from 1 April 2012, became substantively enacted in July 2011 and therefore the effect of this further rate reduction on the deferred tax balance at 31 December 2011 has been included in the figures above

In March 2012 the Chancellor announced further reductions in the main rate of UK corporation tax to 24% and 23% with effect from 1 April 2012 and 1 April 2013 respectively The Chancellor has also proposed changes to further reduce the main rate of corporation tax by one per cent to 22% by 1 April 2014 These changes had not yet been substantively enacted at the year end and therefore are not included in the figures above The effect of the reductions from 25% to 22%, if these applied to the overall deferred tax asset at 31 December 2011, would be to further reduce the deferred tax asset by approximately £1,349,000

11 Dividends

No dividends were declared in the current or preceding year The aggregate amount of dividends proposed and not recognised as liabilities as at the year end is £nil *(2010 £nil)*

Notes *(continued)*

12 Tangible fixed assets

	Land and Buildings			Plant, equipment and vehicles	Assets in course of construction	Total
	Freehold	Long leasehold	Short leasehold			
	£000	£000	£000	£000	£000	£000
Cost						
At beginning of year	8,634	997	43,915	75,845	12,170	141,561
Additions	-	-	-	-	4,539	4,539
Disposals	-	-	(1,414)	(2,634)	-	(4,048)
Transfers between items	17	-	1,595	12,663	(14,275)	-
At end of year	8,651	997	44,096	85,874	2,434	142,052
Depreciation						
At beginning of year	2,676	505	21,442	60,442	-	85,065
Charge for year	454	282	3,616	5,752	-	10,104
On disposals	-	-	(1,426)	(1,884)	-	(3,310)
Reclassification	-	126	(186)	60	-	-
At end of year	3,130	913	23,446	64,370	-	91,859
Net book value						
At 31 December 2011	**5,521**	**84**	**20,650**	**21,504**	**2,434**	**50,193**
At 31 December 2010	5,958	492	22,473	15,403	12,170	56,496

Tangible fixed asset disposals during the year generated a profit of £5,000 *(2010 loss of £16,000)*

Notes *(continued)*

13 Fixed asset investments

	Shares in group undertakings £000
Cost	
At beginning of year	13,595
Dividend received	(1,632)
Disposal	(11,963)
At end of year	-
Provisions	
At beginning of year	11,963
Disposal	(11,963)
At end of year	-
Net book value	
At 31 December 2011	-
At 31 December 2010	1,632

The company's subsidiary undertaking, Hiveserve Limited, was liquidated during the year through a members' voluntary liquidation The company received a dividend of £1,875,000 prior to the liquidation £1,632,000 of the dividend received constitutes a return of the initial investment and the surplus received has been recorded as income from shares in group undertaking

The company's subsidiary undertaking, Magnet (Retail) Limited, was also liquidated during the year

The companies in which the company's interest at the year end is more than 20% are as follows

	Country of incorporation	Principal activity	Percentage of ordinary shares held
Subsidiary undertakings			
Flint Properties Limited	England	Dormant	100%
Magnet (Isle of Man) Limited	Isle of Man	Retailing of fitted kitchens and related products	100%

14 Stocks

	2011 £000	2010 £000
Raw materials and consumables	1,267	999
Work in progress	344	925
Finished goods and goods for resale	39,127	36,687
	40,738	38,611

Notes *(continued)*

15 Debtors

	2011 £000	2010 £000
Trade debtors	20,597	26,472
Amounts owed by group undertakings	39,905	46,547
Corporation tax recoverable	109	-
Other debtors	642	132
Prepayments and accrued income	9,812	8,361
	71,065	81,512

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment

16 Creditors: amounts falling due within one year

	2011 £000	2010 £000
Bank overdrafts	4,301	5,249
Trade creditors	26,547	32,890
Amounts owed to group undertakings	18,131	20,202
Corporation tax payable	-	539
Other taxation and social security	5,106	6,380
Other creditors	5,508	6,214
Accruals and deferred income	17,806	23,119
	77,399	94,593

Amounts owed to group undertakings are unsecured, interest free and have no fixed date of repayment

17 Provisions for liabilities

	Vacant property costs £000	Warranty and other provisions £000	Keighley provisions £000	Deferred taxation £000	Total £000
At beginning of year	9,117	3,016	1,139	2,794	16,066
Utilised during year	(3,262)	(1,366)	(573)	-	(5,201)
Charge to the profit and loss	1,513	1,148	734	260	3,655
Amount released unused	(759)	(404)	-	-	(1,163)
At end of year	6,609	2,394	1,300	3,054	13,357

Notes *(continued)*

17 Provisions for liabilities *(continued)*

The Keighley provision is expected to be utilised on an even basis over the period to 2013 Further information on the deferred tax is given below The remaining provisions primarily relate to store-specific costs and these will be utilised based on the conditions of each individual store (generally between one and five years)

The elements of deferred taxation are as follows

	At beginning of year £000	Profit and loss account (credit)/ charge £000	Amounts included in STRGL £000	At end of year £000
Difference between accumulated depreciation and capital allowances	3,181	449	-	3,630
Other short-term timing differences	(387)	(189)	-	(576)
Provision for liabilities (see above)	2,794	260	-	3,054
Pensions (see note 21)	(13,145)	775	(1,927)	(14,297)
	(10,351)	1,035	(1,927)	(11,243)

18 Called up share capital

	2011 £000	2010 £000
Allotted, called up and fully paid		
15,510,301 Ordinary shares of £1 each	**15,510**	15,510

19 Share premium and reserves

	Share premium account £000	Other reserves £000	Capital contribution reserve £000	Profit and loss account £000
At beginning of year	10,000	5,900	100	917
Profit for the year	-	-	-	6,232
Equity settled share based payments (note 22)	-	-	99	-
Actuarial loss recognised in the pension scheme	-	-	-	(11,427)
Deferred tax arising on losses in the pension scheme	-	-	-	3,028
Effect of reduced deferred tax rate on closing pension deficit	-	-	-	(1,101)
At end of year	**10,000**	**5,900**	**199**	**(2,351)**

The other reserve comprises negative goodwill arising on acquisitions made prior to 1 October 1999 In accordance with FRS 10, negative goodwill has not been reinstated onto the balance sheet

Notes *(continued)*

20 Commitments

(a) Capital commitments at the end of the financial year for which no provision has been made, are as follows

	2011 £000	2010 £000
Contracted	**1,431**	2,339

(b) Annual commitments under non-cancellable operating leases are as follows

	2011		2010	
	Land and buildings £000	**Other £000**	Land and buildings £000	Other £000
Operating leases which expire				
Within one year	**143**	**834**	410	574
In the second to fifth years inclusive	**10,008**	**2,154**	11,058	2,743
Over five years	**13,560**	**533**	12,882	460
	23,711	**3,521**	24,350	3,777

21 Pension scheme

Defined contribution pension scheme

The company operates a defined contribution pension scheme for new entrants, the Magnet Money Purchase Plan The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £1,676,000 *(2010 £1,722,000)*

There were no outstanding or prepaid contributions at either the beginning or end of the financial year

Defined benefit pension scheme

The company also provides pension arrangements to employees through a defined benefit scheme, the Magnet Group Pension Scheme, and the related costs are assessed in accordance with the advice of professionally qualified actuaries The pension scheme is funded by the payment of contributions to separately administered trust funds

The scheme has been closed to new members since 1 November 1999 The scheme closed to future accrual with effect from 31 December 2009 and for active members of the scheme the link to salary was removed Active members are entitled to join the Magnet Money Purchase Plan

The numbers shown below have been based on calculations carried out by a qualified independent actuary to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 December 2011 The scheme's assets are stated at their market values at 31 December 2011

Employer contributions over the accounting period amounted to £5 231 million *(2010 £5 177 million)* It has been agreed that employer contribution of £5 5 million per annum to 31 December 2023 will apply

The valuation used for FRS 17 disclosures has been based on a full assessment of the liabilities of the Magnet Group Pension Scheme as at 31 October 2008 The present values of the defined benefit obligation, the related current service cost and any past service costs were measured using the projected unit credit method

Notes *(continued)*

21 Pension scheme *(continued)*

The information disclosed below is in respect of the Magnet Group Pension Scheme as a whole

	2011 £000	2010 £000
Present value of funded defined benefit obligations	**(198,701)**	(181,833)
Fair value of plan assets	**141,515**	133,148
	(57,186)	(48,685)
Present value of unfunded defined benefit obligations	**-**	-
Deficit	**(57,186)**	(48,685)
Related deferred tax asset	**14,297**	13,145
Net liability	**(42,889)**	(35,540)

In July 2010 the UK Government announced its intention to pass legislation, amending the statutory revaluation of pension scheme benefits and increases to pensions under defined benefit pension schemes, from Retail Price Index (RPI) to Consumer Price Index (CPI) measures. After reviewing UITF Abstract 48 along with the Magnet Group Pension Scheme rules and associated members' literature the directors believe that this constitutes a change in the financial assumptions used to measure benefits, in respect of pensions in deferment, as these will now be increased in line with CPI rather than RPI The effect of this change was recognised as an actuarial gain of £5 1 million in 2010 within movements in the present value of defined benefit obligations and was included in the statement of total recognised gains and losses

Movements in present value of defined benefit obligation

	2011 £000	2010 £000
At 1 January	**(181,833)**	(174,573)
Current service cost	**-**	-
Interest cost	**(9,464)**	(9,727)
Actuarial losses	**(13,920)**	(5,452)
Contributions by members	**-**	(2)
Benefits paid	**6,516**	7,921
At 31 December	**(198,701)**	(181,833)

Movements in fair value of plan assets

	2011 £000	2010 £000
At 1 January	**133,148**	123,235
Expected return on plan assets	**7,159**	6,639
Actuarial gains	**2,493**	6,016
Contributions by employer	**5,231**	5,177
Contributions by members	**-**	2
Benefits paid	**(6,516)**	(7,921)
At 31 December	**141,515**	133,148

Notes *(continued)*

21 Pension schemes *(continued)*

Expense recognised in the profit and loss account

	2011 £000	2010 £000
Current service cost	-	-
Interest on defined benefit pension plan obligation	(9,464)	(9,727)
Expected return on defined benefit pension plan assets	7,159	6,639
Total expense relating to the scheme as a whole	(2,305)	(3,088)

The expense is recognised in the following line items in the profit and loss account

	2011 £000	2010 £000
Other finance costs	(2,305)	(3,088)

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial gains and losses is £11,427,000 loss *(2010 £564,000 gain)* This excludes the effect of deferred tax on these amounts

Cumulative actuarial gains/losses reported in the statement of total recognised gains and losses for accounting periods ending on or after 22 June 2002 and subsequently included by prior year adjustment under paragraph 96 of FRS 17, are £26,819,000 loss *(2010 £15,392,000 loss)*

The fair value of the plan assets and the return on those assets were as follows

	2011 Fair value £000	2010 Fair value £000
Equities	59,255	60,962
Corporate bonds	45,010	43,620
Gilts and cash	37,250	28,566
	141,515	133,148
Expected return on plan assets	7,159	6,639
Actuarial gain	2,493	6,016
Actual return on plan assets	9,652	12,655

At 31 December 2011, none of the fair value of scheme assets related to self-investment

To develop the expected long-term rate of return on assets assumption for the year ended 31 December 2011, the company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class The expected return for each asset class was then weighted based on the target asset allocation to develop the expected gross long-term rate of return on assets assumption for the portfolio This resulted in the selection of the 4 87% *(2010 5 91%)* p a assumption for the year ended 31 December 2011 (before allowance for scheme expenses and PPF levy)

Notes *(continued)*

21 Pension schemes *(continued)*

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows

	2011 %	2010 %
Discount rate	**4.70**	5 30
Expected rate of return on plan assets	**4 87**	5 91
Rate of increase to pensions in payment		
- benefits accrued pre 6 April 1997	**-**	-
- benefits accrued between 6 April 1997 and 6 April 2006	**3.00**	3 40
- benefits accrued post 6 April 2006	**2.30**	2 40
Future salary increases	**-**	-
Deferred revaluation	**2.30**	2 90
RPI inflation	**3.00**	3 40
CPI inflation	**2.30**	2 90

Mortality assumptions

In valuing the liabilities of the pension fund at 31 December 2011, mortality assumptions have been made as indicated below If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 December 2011 would have increased by £7 4 million before deferred tax

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows

- Current pensioner aged 65 21 4 years (male), 24 5 years (female)
- Future retiree upon reaching 65 22 7 years (male), 26 9 years (female)

History of plans

The history of the plans for the current and prior periods is as follows

Balance sheet

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Present value of scheme liabilities	**(198,701)**	(181,833)	(174,573)	(143,752)	(161,907)
Fair value of scheme assets	**141,515**	133,148	123,235	108,521	124,435
Deficit	**(57,186)**	(48,685)	(51,338)	(35,231)	(37,472)

Experience adjustments

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Experience adjustments on scheme liabilities	**(377)**	2,221	(7,787)	-	-
Experience adjustments on scheme assets	**2,493**	6,016	8,236	(24,894)	(4,177)

The company expects to contribute approximately £5 5 million, excluding PPF levy, to its defined benefit plans in the next financial year

Notes *(continued)*

22 Employee share schemes

Certain employees of the company have been awarded share options in the ultimate parent undertaking, Nobia AB These share options are awarded directly by the ultimate parent undertaking Further details of the Nobia AB employee share option scheme are outlined below

Nobia AB employee share option scheme 2005-2015

At the 2005 Nobia AB Annual General Meeting, a resolution was made in accordance with the Board's proposal to implement an incentive scheme in the form of a performance-related employee share option scheme This resolution comprised the first stage in annually recurring identical incentive schemes. It was also followed by resolutions passed at the 2006, 2007, 2008, 2009, 2010 and 2011 Annual General Meetings

The terms and conditions of grants are as follows, whereby all options are settled by physical delivery of shares

a) The exercise price of the option is set at 110 per cent of the average share price at the time of the grant.

b) The options granted can only be exercised during a specified future period 2-3 years from the grant

c) The number of allotted options that can be exercised is dependent upon a certain increase in earnings per share over the 2 years post grant

Share options, granted to executives and senior managers of the company, that existed at the end of the year were as follows

Scheme	No. of shares options at end of year	No. of shares options at beginning of year	Exercise price (£)	Exercise period
2007 – 2011	-	162,500	7 79	31 May 2010 – 1 March 2011
2008 – 2012	-	278,500	3 70	31 May 2011 – 1 March 2012
2009 – 2013	-	280,000	3 07	31 May 2012 – 1 March 2013
2010 – 2014	**260,000**	270,000	3 76	31 May 2013 – 1 March 2014
2011 – 2015	**240,000**	-	5 07	31 May 2014 – 1 March 2015
	500,000	991,000		

The number and weighted average exercise prices of share options in are as follows:

	2011 Weighted average exercise price £	**2011 Number of options**	2010 Weighted average exercise price £	2010 Number of options
Outstanding at the beginning of the year	**4 20**	**991,000**	4 74	1,030,500
Granted during the year	**5 07**	**240,000**	3 76	270,000
Forfeited during the year	**(4.37)**	**(731,000)**	(4 15)	(141,500)
Expired during the period	-	-	(6 80)	(168,000)
Outstanding at the end of the year	**4 39**	**500,000**	4 20	991,000
Exercisable at the end of the year	-	-	7 79	162,500

No share options were exercised during the year *(2010 nil)*

Notes *(continued)*

22 Employee share schemes *(continued)*

The options outstanding at the year end have an exercise price in the range of £3 77 to £5 07 and a weighted average contractual life of 4 years

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted The estimate of the fair value of the services received is measured based on the Black-Scholes valuation model

The value of share options and the assumptions used are as follows for the current and comparative years

	2007-2011	2008-2012	2009-2013	2010-2014	2011-2015
Fair value at grant date	£1 09	£0 51	£0 48	£0 77	£0 85
Exercise price	£7 79	£3 70	£3 07	£3 76	£5 07
Expected volatility	24%	32 5%	35%	37%	33%
Risk free interest rate	4 09%	4 32%	2 17%	1 71%	2 55%

The total expense recognised for the period arising from share based payments were as follows

	2011 £000	2010 £000
Equity settled share based payments	99	39

As the share options have been granted by the ultimate parent undertaking these are treated as a capital contribution for balance sheet purposes (note 19)

Further details relating to the Nobia AB employee share option scheme can be found in the financial statements of Nobia AB, available from the address given in note 23

23 Ultimate parent company and parent undertaking of larger group of which the company is a member

The immediate parent undertaking is Nobia Holdings UK Limited, which is incorporated in England and Wales

The ultimate parent undertaking and controlling party is Nobia AB, which is the parent undertaking of the largest group to consolidate these financial statements Copies of the consolidated financial statements of Nobia AB can be obtained from the secretary at Nobia Nordisk Bygginterior AB, Klarabergsviadukten 70, (C8) SE-10724 Stockholm, Sweden

The parent undertaking of the smallest group to consolidate these financial statements is Nobia Holdings UK Limited Copies of the consolidated financial statements of Nobia Holdings UK Limited can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ